

Life Insurance and Retirement Plans

A donor can make a gift to benefit the Jewish community by naming the Jewish Community Foundation as the beneficiary of a life insurance policy or a qualified retirement plan such as a 401(k) or an IRA. These types of gifts are much like bequests because they take effect upon the donor's death. Giving them removes them from the donor's estate, so they are not subject to any estate tax.

Life Insurance

Life insurance is an excellent and affordable way to endow a specific program or interest in the community.

A donor can name the Jewish Community Foundation as the *beneficiary* of all or a percentage of his/her life insurance proceeds. This will result in an estate tax charitable deduction when the donor dies. No income tax charitable deduction is available during the donor's lifetime.

However, if the donor names the Foundation as both the *owner and beneficiary* of the policy, income tax benefits are available. If you use an *existing* life insurance policy, you will receive an income tax deduction for the value of the policy (approximately the cash surrender value). If premiums are still being paid, you may make tax-deductible gifts of the premiums to the Foundation. If you purchase a new policy and make the Foundation both the owner and the beneficiary, you will be allowed an income tax deduction for each premium payment you contribute.

Retirement Plans

IRAs, Keogh plans, 401(k) s and other qualified retirement plans are subject to onerous taxes, including estate and income taxes. Although your retirement plan assets grow income tax-free, the individuals who receive the distributions must pay income tax on the money they receive. In addition, plans in large estates that are designated for someone other than your spouse may be subject to an estate tax of up to 55 percent and even a generation-skipping tax, dramatically reducing distributions to heirs. However, if the Jewish Community Foundation is named as the death beneficiary of your plan, all taxes are avoided and the entire balance can

be put to use in support of charity. Because of these significant tax consequences, your retirement plan may be the *very best* asset you have to fund your charitable interests.